

Book Reviews

Editor's Note

Our policy is to review all books which are either sent to us or in our opinion are useful to our readers.

L.C.Goyle, *Law of Banking and Bankers*, Eastern Law House, 1995, New Delhi, Pages 408, Price Rs 325/-

Banks have always formed the backbone of an economy - trade, commerce and industry cannot survive in the modern world without extensive banking facilities or, banks act as catalysts for the development and uplift of the vast poverty stricken masses in this country. To enable the major Indian banks to play an effective social role that fourteen of them were nationalised in 1968 followed by six in 1980, the objective being to eliminate the money-lenders by developing a network of branches to provide the rural areas comprising of about 5,50,000 villages without adequate facilities.

The switch over from class banking to mass banking created several problems. There has been steady increase in the incidence of crime in banks such as frauds, robberies, deterioration in bank services and inefficiency etc. The disease of corruption has spread enormously among bank employees and officials, posing a serious threat to the functioning of the banking industry. An unholy alliance between industrialists and businessmen, top bank executives and leaders of bank unions and associations has almost brought the banking industry to the brink of disaster. The steadily rising incidence of frauds, in various form, in banks is a cause of widespread concern. Frauds and corruption involving customers are one thing, but frauds and corruption among bank employees are much more serious, and the reported cases involving some of the top bank officials have brought greater disgrace to the banks than ever before. One of the remarkable facts of the growing menace of bank frauds and robberies is that the overwhelming number of such cases had taken place in the nationalised banks in India. Most of the foreign banks operating in India have a very creditable record in keeping frauds and robberies at bay through strict vigilance and better supervision of operations.

Politicisation of the banking industry has caused great damage to the efficient working of banks. Over the years, bank boards had been packed with people affiliated to the ruling party. Bankers frequently complain of politicians in power dictating who should get loan. Some of bigger loan scandals involving nationalised banks had as their root cause in the promise

of political contributions if the loans come through. Mass loaning programmes under the IRADP and variety of self employment schemes have frequently meant the corrupt middle men to enter the picture. Politically motivated 'loan mela' degenerated into favouritism and corruption, apart from the loss of money advanced to applicants, who rarely repaid the loan. Crores of rupees worth loans are written off and this does not include millions of doubtful accounts.

Banking has undergone significant changes in recent years. While the functions of banks are prescribed by a complex web of regulations, the activities and services provided have evolved in response to the needs of our changing economy. The impetus for providing additional services is likely to increase as the financial system becomes more competitive and the distinction between banks and other financial institutions disappears. The ability of banks to cope with the changing environment in which they operate, and to meet the challenges of such developments as electronic funds transfer systems, will be largely dependent on their ability to attract, develop, and retain qualified personnel.

Moreover, privatization and globalization of Indian economy coupled with the emergence of multinationals in the commercial scenario of our country, the study of the law and practice bankers assumes great importance. This book "Banking and Bankers" examines both the substantive and procedural laws of banking in India. Through the relationship of banker and customer is essentially contractual, yet it is circumvented by varieties of statutory provisions. Identifying intricate problems and finding their solution provide the hallmark of this treatise, which makes an in-depth study of the various aspects of subject, in the context of judicial discussions.

In order to make book more and more pragmatic, author tried to cover the following topics, highlighting their respective importance Banking, banker and customer; Accounts and account holder; Cheques - law and practice; Non-banking activities; Personal security or contract of guarantee or suretyship; Bailment, banker's lien and pledge; Mortgages of immovable property and charges; Suits relating to mortgage of immovable property; Hypothecation and mortgage of movables; Actionable claims; company securities; Recovery of loans etc., Documentary credits or bankers Commercial Credits; Contract of indemnity; Banking words in common use, Appropriate sub-headings have been provided as separate topic to assist the reader to find out the right thing at the right place.

Author in his book, has provided remedial measures both to bankers and customers in particular, and to others in general particularly in such cases as bankers' debtors, fraud insolvency, obligations of bankers etc. A thorough review of the remedies, English decisions, another important feature of this book. Author has also provided decision of other countries as and when relevant and required to be discussed.

This book is an ideal guide to forward-looking practitioners in search of appropriate answers to the diverse problems arising between bankers and customers. Besides, numerous number of cases and statutes listed in the beginning of the book, author has also provided a glossary of banking words which are in common use. The combination of the breadth of coverage with a thorough and perspective treatment of the law makes the work an essential companion to bankers, lawyers and those whenever concerned in the area of banking.

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Hrishikesh Bhattacharya, *Total Management by Ratios: An Integrated Approach*, Sage Publication, New Delhi, Price Rs 350/- (HB) Pages 340.

Managerial Information is generally of two kinds: Primary information i.e., information for decision-maker to take a decision and feed-back information, i.e. information for the controller to monitor and control the implementation process of a decision. Information which combines the two characteristics saves both time and costs, though feedback information at some stage also aids the primary decision making process. A carefully chosen ratio or a set of ratios can not only aid the primary decision making process it could as well act as a highly effective monitoring tool. In other words, a ratio could be both; informative as well as a tool for decision making and control.

Total management by ratios is a pioneering work in the use of ratios for the management and control of any business enterprise. Existing works in this field have focussed only on a particular segment such as accounting ratios or financial management. In contrast this study provides an integrated approach which enables the reader to take both a functional and holistic view of business organisations.

The objective of the present book is to enable an analyst and enterprise manager to take a comprehensive view of organisational functioning through the structures of ratios. After providing a comprehensive account of historical developments in the use of ratio analysis in the very first chapter, Prof. Bhattacharya presents his model of integrating business function through ratio analysis in chapter 2. In the subsequent two chapters management function is disaggregated broadly between operating management and financial management. Each broad function is further divided into different segments like manufacturing, marketing and working capital management. Attempts are made to analyse each such sub-function through sets of financial accounting and management accounting ratios wherever feasible. Measurement and monitoring of managerial efficiency through ratios enable a manager to take an integrated view of different management functions of a business. Various ratio striders are developed and their analysis are made with the help of primary data of a fairly large manufacturing company operating in India.

However, the temptation to make an overall appraisal of the company is delicately resisted because approval depends upon the objective of the individual appraisers. The construction of the book is such that every stake-holder of an enterprise can pick up a set of ratios which can fit his objective.

The book ratios are used as predictor variables to enable a manager to evolve strategies for growth and prevent the business from going into bankruptcy. In chapter 6 cash flow of a business are captured through an algebraic model. A summary of findings from empirical research is presented to highlight growth constraints followed by the development of a simple ratio analytic growth model. In chapter 7 an indepth review of most of the important literature is made. It has been found that findings of these impartial investigations are more contradictory than corroborative.

In going beyond the conventional analysis of financial statements and in integrating the entire gamut of management functions through ratio structures, this important book will be of considerable interest to professional managers both at the operational and the corporate level, and to bankers and institutional lenders for credit appraisal. It is also designed to serve as a postgraduate text for students in universities, management institutes such as IIMs, IIF, IMT etc. and in professional courses such as those conducted by ICAI and ICWAI.

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Basu, Anuradha, *Public Expenditure Decision Making: The Indian Experience*, Sage Publications 1995, Pages 287, Price Rs 350.

Public sector in India is playing a major role in Indian economy but not upto that level which it should play. There can be so many problems like political interference, negligence of the staff, lack of funds etc. But one major aspect which cannot be overlooked is the rationality of public expenditure decision making. The traditional theory of public finance treats the government as a single decision making unit acting for society as a whole. Government allocates public expenditure among alternative uses by supposedly maximising a well-defined social welfare function and responding optimally to the environment. Some questions arise in the mind of every person like 'How do government decision makers determine the level of expenditure? What is the process by which they focus on one set of issues and problems as opposed to others?' etc.

The book under review is an endeavor to answer these questions and of course other questions in this regard also. The term 'public expenditure' refers to the aggregate expenditure incurred by the public sector at the level of the central and state governments and the local authorities. Annual government budgets control expenditure incurred by administrative departments and departmental undertakings. The expenditure of non-departmental undertakings is covered only to the extent of the annual grants and loans disbursed to them by the government.

If we take a look into the growth of public expenditure, we find that increase in public authorities expenditure was 6.9 per cent compound from 1960-61 to 1990-91. As a share of GDP, it more than doubled from 13.2 per cent in 1960-61 to 29.3 per cent in 1990-91. There are a number of theories in the context of the existing theories of public sector decision making. These are, for example, traditional social welfare theory, theories of economic dirigible, median voter model, political or electoral theories, dominant class coalition theories, modern bureaucratic theory etc. These hypothesis are not mutually exclusive. A common problem with many of them is that they can, in principle, be used to explain a particular fact but it is difficult to empirically prove (or disprove) their veracity. However, there are differences in their degrees of plausibility as explanations of Indian budgetary trends. Each of these theories can, in principle, explain the rise in non-developmental expenditure, at the expense of development expenditure and the decline in plan expenditure.

The rational decision maker in Orthodox Rationality model behaviour and maximise utility, subject to budget constraints which together define the feasible region. But the assumptions of the orthodox theory are highly restrictive. Critics say 'Is it valid to assume that power and economic gain are the only driving force behind public sector decision makers? Does rationality necessarily imply consequential act evaluation guided by self interest? The most serious problem with the orthodox model is that it assumes perfect certainty. Behavioural concept of rationality suggests that people can act rationally in terms of being objective in their choice behaviour but only over a subset of alternatives and of their environment. Bureaucratic X-inefficiency theory assumes maximisation of some private interests of the bureau chief tend to ignore the internal elements of the bureaucratic operation. 'X-efficiency' is the internal, non-allocative efficiency of an organisation. Individuals and firms do not work as hard, or search for information as effectively, as they could they tend to be X-inefficient.

Let us take a look at the procedures and systems of public expenditure decision making in India. The Indian Constitution provides for a Westminster-style parliamentary government combined with a structure that is federal in character. There is a strict division of financial resources and expenditure responsibilities between the central and state governments. India has attempted to link planning and budgeting by breaking-up medium-term quinquennial plans into annual plans and incorporating the latter into annual budgets. Annual budgets and demands for grants have to be approved by Parliament. Parliament is divided into a number of committees which can hold hearings, make field visits and request the testimony of government officials. The executive branch is headed by the Prime Minister and a council of ministers who have to approve the budget before it is presented to parliament. The Ministry of Finance occupies a central role in the annual budgetary process. It is responsible for deciding the revenue and capital budgets of public expenditure. It has complete control over all the resources, including external assistance. The Planning Commission assumes primary responsibility

for determining sectoral allocations within the annual plan. Most budgetary decisions are made collectively through a process of consultation and discussion rather than by single individuals. The annual budget exercise in India begins in August or September each year and involves several rounds of decision making. The main decisions to be made concern the size of the aggregate budget, its allocation between different sectors, and the allocation of sectoral budgets between competing programmes. The Ministry of Finance remains the main coordinating agency for the decisions in the central government.

More than half of the population is engaged in the agriculture. So it becomes very important for the government to take care of this sector. Fertiliser sector is to be improved by the government to build up an indigenous manufacturing capability in fertilisers so as to provide them at the right time, in adequate quantity at the right price and at the right place to farmers. Ministry of Finance and the central administrative ministry plays a major role in decision making of expenditure on fertilisers. However, the Ministry of Finance has attempted to decentralise expenditure decision making by delegating greater financial responsibilities to individual spending departments. Planning Commission also consulted with political leaders to invest public money in irrigation. Since irrigation is a state subject under the Indian Constitution the projects are established by the state governments.

Nearly half of the Indian population is still illiterate after four decades of independence. The public expenditure on education has shown over 150-fold in absolute terms (at current prices) between 1950 and 1990. Besides the education minister, the key policy makers at the centre are the officials in the Education Ministry, the Planning Commission, the Finance Commission, and the Ministry of Finance. Although Indian educational system has made significant progress during the post-independence period and is among the world's largest educational network today, but India needs quality education in rural areas also. There is an utter lack of good schools and colleges in rural areas.

If we see the proportion of public expenditure in different sectors, no doubt it is good, but it needs more concentration and decision making process.

The overall picture of the book is very good but it lacks the latest figures and trends. The book will help Indian people to know where the public expenditure is made by the government. Students will be benefited with this edition of book.

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Sampat Mukherjee, *Business & Managerial Economics (in the Global Context)* New Central Book Agency, Calcutta, Price 225/-

Managerial economics is the application of economic theory and methodology to decision making problems faced by both public and private

institutions. In managerial economics one attempts to extract from economic theory those concepts and techniques that enable the decision-maker to efficiently allocate the resources of the firm, and, subsequently, help the decision-maker to understand the economic environment and the effect of changes in this environment on resource allocation within the organization.

The techniques of managerial economics can fruitfully be applied to anyone charged with decision making responsibility, whether they are in private industry, non profit institutions, or local, state and federal government agencies.

This text deals with the application of economic theory to the decision making problems faced by both private and public enterprises. The major emphasis is to provide the theory and tools essential to the analysis and solution of those problems which have significant economic consequences, both for the firm and society at large. Effective decision making requires an understanding of the constraints, both explicit and implicit, imposed on the decision-maker by his environment. To accomplish this, major issues associated with government regulation of the firm, as well as the increasingly important implicit constraints on the actions private and public enterprises, are examined. These issues include a consideration of externalities associated with given economic decisions and an analysis of the concept of social responsibility, which has received substantial attention.

A survey of managerial economics and business economics courses in various schools quickly leads to the conclusion that while there is a broad consensus on content in some areas, coverage of other topics varies considerably between schools. For e.g., in some programs, capital budgeting and the cost of capital are covered in managerial economics course, while in others they receive major emphasis in corporation or managerial finance. Similarly, a consideration of market structure, conduct and performance, and government regulation of business may be found either in separate courses or introduced in the context of managerial economics.

In organizing this book, author has attempted to recognize the differences existing in various curricula. Book has been divided into three parts. The broad topic coverage provided by the text gives the teacher maximum flexibility in designing of course suited to the needs of his students and the demands of his curriculum. Part I, dealing with the tools of analysis, will provide a first exposure to useful economic and analytical concepts and tools. This text is designed to help the student learn basic economic theory and to allow him to practise business using economics in order to become a competent professional decision maker and manager. Part I presents the core of microeconomic theory, emphasizing the areas where it may be usefully applied. Both in chapters and by way of problems at the conclusion of each chapter, author has attempted that much of applied microeconomic theory may find uses in public enterprises, as well as private ones. Chapters 13 to 21 focussed in the relationships between market structure, conduct and performance, and in

support of business. It is believed that the emphasis placed on managerial implications of structure, conduct and performance relationships provide a uniquely applicable forum for discussing issues of managerial economics course, Chapter 22 to 28 deals with capital budgeting and technological progress in Global economy. Author observed with the help of examples that the single most important source of economic growth between 1929 and 1982 was technological change. Almost one-third of the increase is attributable to improvement in technology. Knowledge, whether associated with new or improved products or embodied in workers, is crucial to economic progress.

Part III of the book deals with Macroeconomics for managers. Author has tried to analyze and explain what determines the level of national income and the level of employment in an economy. Stable macro economy is crucial to the smooth and efficient functioning of a business firm which is basically a micro unit specifically, it is required to have a) growth of real output, b) full employment and c) price level stability. Author discusses several aspects on Banks and Financial Institutions and Foreign exchange, role of government in economic management. Lastly Chapter 47 deals with use of computers in economic analysis and forecasting.

Part III of the book deals with numerical problems and solutions. Author tried to achieve two objectives. Firstly, students should receive a complete and rigorous introduction to the basic principles of both micro and macro economics. At the same time some important concepts have been introduced. Such concepts are likely to provide important insights for decision making. Sufficient care has been taken to ensure that the exposition of these concepts is as clear and simple as possible. Secondly, author tried to demonstrate clearly by using several numerical examples how application of certain fundamental economic terms and concepts can improve decision making. In addition, numerous solved problems have been included in each chapter to illustrative important principles and to stimulate interest in related topics. Revised edition has an addition of new topics such as individual demand, location decisions, merger guidelines, technological progress in global economy, taxation and the firm market structure, performance and conduct, product line pricing etc. Inclusion of a large number of numerical problems and exercises from the real commercial world makes each chapter more lucrative. At the end the book, author has included a comprehensive glossary on managerial economics terms.

The text is designed for upper level undergraduates in economics departments, business schools, and schools of public administration. Author has tried to cover a number of topics simultaneously. With the result, at many places topics lack rigour and depth. As a whole, it is a good book to understand basic concepts on economics and business with the help of day to day examples.

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Gulshan S.S., *Consumer Protection and Satisfaction: Legal and Managerial Dimensions*, New Age International Publishers, Second Edition Jan. 1996, Pages 356.

In this fast world, everybody is trying to make more and more money even if he is doing wrong for the public. When a customer goes to a shop to buy something, he wants the best quality on reasonable rates. On the other hand shopkeeper wants to make more money either by giving inferior quality good or by changing higher price. Ultimately the customer has to suffer in both the cases. It is because of the illiteracy of the people and most of the times unawareness of the educated people. There are so many Acts for the consumers' benefits which are not known by the common people. Adulteration, variation in the contents of the pack, use of deceptive or fractional weights are all the ways and means by which a consumer is exploited to the maximum extent possible.

The book under review is written by an eminent professional in the education system. The author has described several Acts in seven chapters relating to the help for the consumers against shopkeepers/manufacturers providing inferior quality goods or exploiting in any other way. Businessmen are indifferent towards customers. Business responsibilities towards consumers have always figured fairly low, perhaps, because they are operating in a sellers' markets; it is only when a businessman is concerned with competitive selling that he gets down to study the tastes and wishes of consumers and strives to satisfy them.

Indian Contract Act, 1872 determines the circumstances in which promises made by the parties to a contract shall be legally binding on them. It also defines the remedies that are available in a court of law against a person who fails to perform his contract, and prescribes conditions under which the remedies are available. The sale of Goods Act, 1930 provides certain safeguards to buyers of goods. Where a buyer is injured by a product transferred to him under a contract of sale, subject to certain exceptions, he may rely on implied conditions and warranties as well as express undertakings of the seller. The seller will be liable if the goods do not come upto the standard required by the law even though he has taken all possible care.

The Standards of Weights and Measures Act, 1976 aims at introducing standards in relation to weights and measures used in trade and commerce. The Act is a consumer protection measure as every article of manufacture, subject to the standards of weights and measures under the Act, ultimately finds its application or use by or for the benefit to consumer. The Act prohibits use of non-standard weight or measure or numeral. It provides that no weight or measure shall be made or manufactured unless it conforms to the standards of weights or measures established by or under this Act. Every package shall bear thereon the name of the manufacturer and also of the packer or distributor. Where the package of a commodity or the label thereon, bears the representation as to the number of servings of the commodity

contained therein, such package or label shall also bear a statement as to the net quantity in terms of weight, measure or number of each such surviving.

The Monopoly and Restrictive Trade Practices (MRTP) Act, 1969 tries to save the consumer from those individuals/organisations who have concentration of economic power in their hands. However, public sector units engaged in the production of arms and ammunition and allied items of defence equipment, defence aircrafts and warships, atomic energy, certain minerals, currency notes and coins, continue to be outside the purview of the Act. MRTP Act requires the central government to establish a commission, to be known as the MRTP commission for the purposes of the act. The commission has all the powers to restrict undertaking person in indulging monopolistic and restrictive practices. The commission is empowered to grant injunction restraining an undertaking or person from carrying on any monopolistic, restrictive or unfair trade practice until the conclusion of an inquiry or until further orders.

Consumer Protection Act, 1986 came into force on April 15, 1987 proclaiming “for better protection of the interests of consumers. It emphasises that every customer must know how the provisions of the Act arm him with weapons to fight his every day battles in the market place. The Act provides effective safeguards against different types of exploitation such as defective goods, unsatisfactory services and unfair trade practices. All suppliers of goods and services, both in the private and in the public sector and the cooperative sector, are covered by the Act. The Consumer Protection (Amendment) Act, 1993 has broadened the definition of service by specifically incorporating the provision of facilities concerning housing construction. The consumers’ rights are right not to buy a product that is offered for sale, to expect the product to be safe, to expect the product to be what it is claimed to be, to be adequately informed about the more important aspects of the product, to be protected against questionable production and marketing practices, and to influence products and marketing practices in directions that will enhance the “quality of life.” He has a right to receive proper and efficient service and satisfaction.

First five chapters of the book contain around twenty five Acts, but the sixth chapter contains some judicial decisions affecting consumers. It contains around sixty such decisions regarding consumer versus banks, electricity boards, environment, hospitals, housing, insurance, post office, professional negligence, railways, telephone department and transporters.

It is said that consumer movement in India is still in infancy, More than 30 per cent of the people are not integrated into the mainstream of consumerism. There should be an agenda for excellence as well as facilitators for consumerism. Lok Adalats have to play a vital role in such cases.

The present book is an attempt to make the consumer law accessible to those concerned through handling of every day instances to clarify how the law works. It also shows that potential legal problems can be averted with

sufficient knowledge of the law and so offers a working account of appropriate areas of the law. The stress all through is on clarity and the way the law operates on a day-to-day basis. Naturally, the extensive case law has been carefully presented and analysed with quotations from frequently cited judgments.

This book is very much helpful for the law students as well as common people. Commerce graduates, post graduates will find this book more helpful for the updation of their knowledge. The book will fulfil vital need for the vast multitude of consumers.

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S.P.Deshpande, *Modern Management Accounting*, New Age International Limited, Publishers, New Delhi.

The discipline of management accounting was introduced in business and industry to fulfill the need of ascertaining the cost of goods produced and services rendered. Historically management accounting has evolved from the need to assign costs to products for various purposes. In addition research in management accounting has been influenced by disciplines like economics, statistics and operations research. However, the influence of mathematics seems to have been conspicuous by its absence. In any system or process where numbers are involved, its mathematics cannot be far behind.

The book under review, *Modern Management Accounting* by S.P.Deshpande, is the presentation of management accounting theory through mathematical analysis approach. The use of mathematics can make the subject matter more clear, simple, unambiguous and accurate. In chapter 1 to 4 author has defined the process of cost accounting rigorously along with the derivation of the cost equations which is unique, and which encompasses every conceivable cost accounting situations. Having established the process of cost accounting mathematically the impracticability and even the impossibility of costing approaches of LIFO and FIFO is shown. The method of weighted average is the only approach that passes the test of logic. Even when the calculations involved in using this mathematical approach are performed by a computer.

In chapter 5 'Reciprocal consideration in variable costs' compares the allocation of traditional method and mathematical approach provided by the author.

Material wastage generated in manufacturing processes are of two kinds the first kind of waste is re-used in the manufacturing process and the second kind of waste is sold as scrap. Chapter 6 deals with an appropriate treatment of these wastes to account for their costs. Chapter 7 provides a rigorous approach to production accounting with attendant benefits to the user. Although very little literature is available on production accounting but author has

used his mathematical skill to present the production accounting theory.

Chapter 8 discusses the method of estimating working capital requirement through mathematical approach. Chapter 9 shows how the replacement cost is related to the estimation of working capital requirement.

Variance analysis is the essence of budgetary control. Although used extensively by many, the definition of the term variance is somewhat contributed. The exact understanding of variance analysis has been detailed in chapter 10. Further the literature implicitly assumes that only one kind of variance analysis exists. However, a clear and simple definition of variance in budgetary control does not help in performing the analysis effectively until it is seen that two different kinds of variance analyses exist. The analysis that is known to management accountants is referred to performance Variance Analysis and the other kind of analysis is named Action Variance Analysis. The relative merits of Action variance analysis over performance variance analysis are dealt with at length in chapter 11.

Comprehensive recovery factor is generally used to determine the yearly fixed surplus required over the economic life of a project to liquidate a given capital expenditure. In chapter 12 a comprehensive capital recovery factor (CCRF) is proposed to encompass the implications of taxation, inflation, etc. alongwith its operating characteristic shown by considering 13 numerical examples. Chapter 13 shows how the WCMF can be used to determine the first year's surplus of capital expenditure project for working capital implication, surplus requirement depends upon the policy of recovering the investment in working capital, and how the source of financing affects the surplus.

Chapter 14 shows how the existing techniques of capital expenditure decisions can lead to inferences which are not truly valid. VOSF can be used to demonstrate how the cash generation is actually utilised over the economic life of the project for amounting the financed funds and meeting the cost of financed funds.

The current usage of term discounting essentially covers two distinctly different methods of discounting. For convenience the process of discounting used in obtaining the internal rate of return is called cost discounting and the process of discounting in which financing agencies provide money for credit sales of a firm is called growth discounting. The mathematics of growth discounting has been developed and is compared with the conventional method of compounding in the financial analysis. It turns out that growth discounting is a more scientific method of accounting for interest on borrowed funds.

The use of mathematical notations makes the theoretical aspect more accurate but it is very difficult for the non-mathematics students to understand the logic. On the whole the book is very useful for the researchers, teachers and students.

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IIF Research Division